

CONFIDENTIAL

EXCISE

D20

PAGE:0252

INQUIRE=DOC19D

ITEM NO=00158214

ENVELOPE

CDSN = LGX239 MCN = 92258/05540 TOR = 922580800

RTTCZYUW RUEKJCS0645 2580803-CCCC--RUEALGX.

ZNY CCCCC

HEADER

R 140803Z SEP 92

FM JOINT STAFF WASHINGTON DC

INFO RUEADWD/OCSA WASHINGTON DC

RUEAHQA/CSAF WASHINGTON DC

RUEADWD/PTC WASH DC

RUFGAID/USEUCOM AIDES VAIHINGEN GM

RUEADTS/USDP:D TSA

RHDLONE/CINCUSNAVEUR LONDON UK//N2/N22//

RHCGSRB/COMUSARCENT FT MCPHERSON GA//AFRD-DSO//

RUEOACC/CDRPSYOPGP FT BRAGG NC//AORC-POG-SB//

RUWSMXI/AMC INTEL CEN SCOTT AFB IL//IN//

RUCJACC/USCINCCENT MACDILL AFB FL//CARA//

RUCQVAB/USCINCSOC INTEL OPS CEN MACDILL AFB FL

RUEQFAA/COMJSOC FT BRAGG NC//J2//

RULKQAN/MARCORINTCEN QUANTICO VA

RUSNNOA/USCINCEUR VAIHINGEN GM

RUEALGX/SAFE

R 140701Z SEP 92

FM AMEMBASSY RIYADH

TO RUEHC/SECSTATE WASHDC 8916

INFO RUEHZM/GCC COLLECTIVE

RUEATRS/TREASURY WASHDC

RUFHLD/AMEMBASSY LONDON 5270

BT

CONTROLS

C O N F I D E N T I A L RIYADH 06927

DEPARTMENT FOR NEA/ARP AND EB/IFD/OMA

TREASURY FOR DAS SCHOTTA AND HURLEY

LONDON FOR PAUL TYSON

E.O. 12356: DECL: OADR

BODY

TAGS: EFIN, ECON, SA

SUBJECT: VIEW OF NCB'S BANKING SITUATION  
AND OF THE STATE OF THE SAUDI BANKING SECTOR

REF: DHAHRAN 1420

1. CONFIDENTIAL - ENTIRE TEXT

2. SUMMARY:

INDICATES THAT THE NATIONAL  
COMMERCIAL BANK (NCB) HAS WEATHERED THE WORST OF THE BCCI

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DEPARTMENT OF STATE

IS/FPC/CDR

DRP Date: 9/8/94

( ) RELEASE ( ) DECLASSIFY  
( ) EXCISE ( ) DECLASSIFY  
( ) DENY IN PART  
( ) DELETE Non-Responsive Info  
FOIA Exemptions B1  
PA Exemptions

MR Cases Only:  
EO Citations

TS authority to  
( ) CLASSIFY ( ) S or ( ) C OADR  
( ) DOWNGRADE TS to ( ) S or ( ) C OADR

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B1

CONFIDENTIAL

PAGE:0253

SCANDAL STORM, AT LEAST AS FAR AS ITS STANDING WITHIN THE KINGDOM IS CONCERNED. HE SEES THE CURRENT BUOYANCY IN THE DOMESTIC BANKING SECTOR CONTINUING INDEFINITELY, PROVIDED U.S. TERM INTEREST RATES DO NOT RETURN TO RATES OF SEVEN TO NINE PERCENT. END SUMMARY

3.

COMMENTED ON THE SITUATION OF THE NATIONAL COMMERCIAL BANK (NCB), IN THE WAKE OF FEDERAL AND NEW YORK STATE BCCI-RELATED INDICTMENTS OF ITS FORMER CHAIRMAN, KHALID BIN MAHFOUZ.

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4. WHILE THE NCB SCANDAL WAS AN EMBARRASSMENT TO THE SAUDI BANKING SECTOR, THE WORST PART OF NCB'S PROBLEMS ARE ESSENTIALLY OVER. CHARGE'S QUESTIONING, DISMISSED RUMORS SUGGESTING THAT NCB COULD GO PUBLIC ANYTIME SOON. HE SAID THAT WOULD REQUIRE ISSUANCE OF A FINANCIAL STATEMENT, SOMETHING NCB WAS IN NO POSITION TO DO.

5. THE OVERALL HEALTH OF THE SAUDI BANKING SECTOR REMAINED BUOYANT. THIS WAS LARGELY A FUNCTION OF THE DOMESTIC ECONOMIC BOOM, SURPLUS PRIVATE LIQUIDITY, AND LOW U.S. INTEREST RATES. HE SUGGESTED THAT A RISE IN U.S. TERM INTEREST RATES TO FROM SEVEN TO NINE PERCENT MIGHT DRAW AWAY SOME OF THE MONEY CURRENTLY GOING TO SAUDI BANKS. BUT UNLESS AND UNTIL THAT HAPPENED, MANDEEL EXPECTED THE SAUDI BANKING SECTOR TO REMAIN BUOYANT.

6. COMMENT:

END COMMENT

WELCH

ADMIN  
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PAGE:0254

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